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September 10, 2008

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy L. Watanabe*
Acting Auditor-Controller

SUBJECT: **PEOPLE ASSISTING THE HOMELESS CONTRACT REVIEW – A
DEPARTMENT OF PUBLIC HEALTH HIV/AIDS CARE SERVICES
PROVIDER**

We completed a fiscal review of People Assisting The Homeless (PATH or Agency), a Department of Public Health (DPH) HIV/AIDS care services provider.

Background

The DPH's Office of AIDS Programs and Policy (OAPP) contracts with PATH to provide residential emergency housing and transitional housing services to indigent persons with the HIV/AIDS disease. PATH is located in the Second District.

At the time of our review, PATH had two fixed-fee contracts with OAPP and was paid \$167,000 in OAPP funds from March 2006 to February 2007.

Purpose/Methodology

The purpose of our review was to determine whether PATH appropriately spent funds in accordance with the County contract. We also evaluated the adequacy of PATH's accounting records, internal controls, and compliance with the contract and applicable federal and State fiscal guidelines governing the Ryan White, Comprehensive AIDS Resource Emergency Act. In addition, we determined whether the Agency provided services to eligible participants.

Results of Review

Overall, PATH provided services to eligible participants. However, PATH charged OAPP \$1,539 for services that were not documented and did not implement a client/patient fee determination system.

In addition, PATH did not sufficiently document program expenditures. For example, PATH:

- Did not document the methodology used to allocate share program costs charged to OAPP.
- Charged OAPP for salary costs that were based on budgeted positions not actual time spent by employees working on OAPP activities as required.

The details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with PATH management on June 3, 2008. In their attached response, the Agency agreed with our findings and agreed to repay OAPP for undocumented services. We also notified DPH of the results of our review.

We thank PATH for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

WLW:MMO:DC

Attachment

- c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, Director, Public Health Department
Kai Stansberry, Executive Director, People Assisting The Homeless
Public Information Office
Audit Committee

**HIV/AIDS PREVENTIVE CARE AND CARE SERVICES
PEOPLE ASSISTING THE HOMELESS
FISCAL YEAR 2006-2007**

ELIGIBILITY

Objective

Determine whether People Assisting The Homeless (PATH or Agency) provided services to individuals that meet the eligibility requirements of the Office of AIDS Programs and Policy (OAPP).

Verification

We reviewed the case files for 17 (47%) of 36 program participants that received care services from December 2006 to February 2007 for documentation to confirm their eligibility for OAPP services.

Results

All program participants' case files contained documentation to support the participants' eligibility to receive program services.

Recommendation

There are no recommendations in this section.

CASH

Objective

Determine whether cash receipts are properly recorded in the Agency's financial records and deposited timely in the Agency's bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed the Agency's financial records and bank reconciliations.

Results

PATH appropriately recorded and deposited cash receipts timely into the Agency's bank account. The Agency also appropriately completed monthly reconciliations. However,

the Agency's bank reconciliations did not document its management's review and approval.

Recommendation

- 1. PATH management document their review and approval of bank reconciliations.**

REVENUE

Objective

Determine whether revenues are properly recorded and reimbursement claims to OAPP are accurately prepared and calculated. In addition, determine whether fees collected from clients and third party payments (i.e., private insurance, Medi-Cal or Medicare) are accounted for and reported to OAPP.

Verification

We interviewed Agency personnel and reviewed the Agency's financial records and reimbursement claims sent to OAPP for December 2006 to February 2007.

Results

The Agency's daily patient attendance records did not support the 48 bed-days that were billed to OAPP during the period of our review. The undocumented billings totaled \$1,539.

The contract requires the Agency to charge patients a fee-based on the patients' ability to pay. In addition, in establishing the fees, OAPP needs to approve the Agency's client/patient fee determination system. PATH did not implement a client/patient fee system. As a result, the OAPP program may have been charged for services that could have been reimbursed by the patients.

Recommendations

PATH management:

- 2. Repay \$1,539.**
- 3. Ensure that reimbursement claims accurately reflect the number of bed days provided.**
- 4. Establish and implement a client/patient fee determination system and ensure that it is reviewed and approved by OAPP.**

EXPENDITURES

Objective

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately charged to the program.

Verification

We interviewed Agency's personnel, reviewed accounting records and reviewed documentation to support seven program expenditures transactions totaling \$4,170 that occurred in January and February 2007.

Results

PATH recorded \$2,960 in shared costs for security services, gardening and utilities for their fee-for-service contract that were not adequately supported. Specifically, the Agency did not provide documentation to show the methodology used to calculate the allocation percentages. As a result, we were not able to determine the reasonableness of these charges.

Recommendation

5. PATH management maintain documentation to support all program expenditures.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether the Agency's fixed assets and equipment purchases made with program funds are used for the OAPP program and are safeguarded.

We did not perform testwork in this section as PATH did not use OAPP funds to purchase fixed assets.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to the program to ensure future fixed-fee adjustments are based on actual program expenditures. In addition, determine whether personnel files are maintained as required.

Verification

We traced payroll expenditures for three (37%) of the eight employees for January and February 2007 totaling \$15,846 and employee benefits totaling \$19,331 from March 2006 to February 2007 to payroll records and time reports. We also reviewed three personnel files of staff assigned to the program activities.

Results

The Agency maintained documentation in the employees' personnel files to support the salary rates and employee benefits. However, PATH's payroll and benefit expenditures charged to the program were based on budgeted positions not on actual time spent by employees performing OAPP related activities as required by their fee-for-service contract.

In addition, PATH used an employee benefit rate for health insurance which was higher than the Agency's actual cost. As a result, the three employees' benefits were overstated by \$4,870 on PATH's financial records and Cost Report for the period ended February 2007.

Recommendations**PATH management:**

6. **Revise the Agency's accounting records to reflect actual costs for employee payroll benefits.**
7. **Ensure all employees record actual hours worked each day on their time reports to support the time spent on program activities.**

COST ALLOCATION PLAN**Objective**

Determine whether the Agency's Cost Allocation Plan was prepared in accordance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Agency's Cost Allocation Plan and a sample of expenditures incurred by the Agency in January and February 2007 to ensure that the expenditures were properly allocated to the Agency's appropriate programs.

Results

PATH's Cost Allocation Plan was prepared in compliance with the County contract. However, the Agency could not explain or provide documentation to show the methodology used to calculate the allocation percentages used to allocate program expenditures for security services, gardening and utilities. As result, we were not able to determine the reasonableness of the expenditures charge to the OAPP program. In addition, the Agency's payroll costs were not supported by time records and actual employee benefits.

Recommendation

Refer to recommendations 5 and 7.

- 8. PATH management allocate costs to each program in accordance with the Agency's Cost Allocation Plan.**



People Assisting The Homeless

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June 18, 2008

Wendy L. Watanabe
Acting Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, California 90012

Dear Ms. Watanabe,

This letter is in response to the audit conducted of PATH's OAPP contracts (contract #H700966 and #H700984) for the contract period 3/1/07 - 2/28/07. Below are specific responses to each of the recommendations made by the auditor.

CASH

Results: PATH appropriately recorded and deposited cash receipts timely to the Agency's bank account. The Agency also appropriately completed monthly reconciliations. However, the Agency's bank reconciliations did not document its management's review and approval.

Recommendation:

1. PATH management document management's review and approval of Agency bank reconciliations.

Response:

1. PATH management staff review monthly bank reconciliations. Since the audit PATH has established a policy through which management staff will sign reconciliations to evidence their review.

REVENUE

Results: The Agency's daily patient attendance records did not support 48 bed days that were billed to OAPP during the period of our review. The undocumented billings totaled \$1,539.

The contract requires the Agency to charge patients a fee based on the patients' ability to pay. In addition, in establishing the fees, OAPP needs to approve the Agency's client/patient fee determination system. PATH did not implement a client/patient fee system. As a result, the OAPP program may have been charged for services that could have been reimbursed by the patients.

Recommendations: PATH management:

People Assisting The Homeless is part of PATH Partners a family of agencies providing hope for people in need.

2. Repay \$1,539.
3. Ensure that reimbursement claims accurately reflect the number of bed days provided.
4. Establish and implement a client/patient fee determination system and ensure that it is reviewed and approved by OAPP.

Response

2. PATH will repay OAPP for any bed days for which it is unable to provide documentation.
3. PATH will ensure that all staff are trained to properly document all bed days billed to OAPP to ensure that OAPP is not billed for any undocumented bed days.
4. PATH will work with OAPP staff to establish and implement an approved client/patient fee determination system.

EXPENDITURES

Results: Overall, \$2,690 (70%) of the Agency's shared program costs for security services, gardening, and utilities were not adequately supported. The Agency did not provide documentation to show the methodology used to calculate the allocation percentages. As a result, we were not able to determine the reasonableness of these charges.

Recommendations:

5. PATH management maintain documentation to support all program expenditures.

Response:

5. PATH maintains a Cost Allocation Plan that will be used to allocate shared program costs to the OAPP program.

PAYROLL AND PERSONNEL

Results: The Agency maintained documentation in the employees' personnel files to support the salary rates and employee benefits. However, PATH's payroll and benefits expenditures charged to the program were based on budgeted positions not on actual time spent by employees performing OAPP related activities as required by the County contract. In addition, PATH used an employee benefit rate for health insurance which was higher than the Agency's actual cost. As a result, three employees' benefits were overstated by \$4,870 on PATH's financial records and Cost Report for the period ended February 2007.

Recommendations:

PATH Management:

6. Revise the Agency's accounting records to reflect actual costs for employee payroll benefits.
7. Ensure all employees record actual hours worked each day on their time reports to support the time spent on program activities.

Response:

6. PATH has revised our accounting records to reflect actual costs for employee payroll benefits and has developed procedures to ensure that OAPP is billed for actual benefits costs.
7. Since the audit, PATH has developed new employee timecards that will allow employees to track actual hours worked each day by program activity and contract. For employees who work on multiple programs and whose hours cannot be directly connected to serving only OAPP clients, PATH will use

our Cost Allocation Plan to determine the portion of their salaries and benefits that ought to be allocated to OAPP.

COST ALLOCATION PLAN

Results: PATH's Cost Allocation Plan was prepared in compliance with the County contract. However, the Agency could not explain or provide documentation to show the methodology used to calculate the allocation percentages used to allocate program expenditures for security services, gardening, and utilities. As a result, we were not able to determine the reasonableness of the expenditures charged to the OAPP program. In addition, the Agency's payroll costs were not supported by time records and actual employee benefits.

Recommendations:

Refer to recommendations 5 and 7, and:

8. PATH management allocate costs to each program in accordance with their approved Cost Allocation Plan.

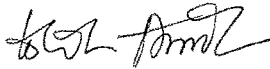
Response:

Refer to responses 5 and 7 and:

8. PATH will use our Cost Allocation Plan to allocate shared costs, including security services, gardening, and utilities.

We remain grateful for the continued support of OAPP in allowing us to provide housing and supportive services to homeless individuals living with HIV/AIDS. Should you have any questions or need further information, please contact me at (310) 996-0034.

Sincerely,



Keawta Kittithanairan
Director of Finance